

Message Text

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PAGE 01 RIO DE 04178 281149Z

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ACTION COME-00

INFO OCT-01 ARA-10 ISO-00 EB-07 SSO-00 /018 W

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O R 281111Z OCT 76

FM AMCONSUL RIO DE JANEIRO

TO SECSTATE WASHDC IMMEDIATE 4306

INFO AMEMBASSY BRASILIA

AMCONSUL SAO PAULO

AMCONSUL PORTO ALEGRE

UNCLAS RIO DE JANEIRO 4178

E. O. 11652: N/A

TAGS: BEXP, BR

SUBJ: PULP AND PAPER MACHINERY TRADE MISSION

REF.: STATE 260975; RIO A-28 OF MARCH 29, 1976

1. REGARDING CDI POLICIES, THERE HAS BEEN NO ANNOUNCED CHANGE IN PRIORITY SECTORS REPORTED IN REPAIR. HOWEVER, SENIOR EXECUTIVE OF CDI TOLD CONGEN OFFICERS IN JULY THAT SHORT-TERM BALANCE OF PAYMENTS IMPLICATIONS OF ANY PROJECT WERE OF PRIMARY IMPORTANCE. SINCE JULY THIS CONSIDERATION HAS, IF ANYTHING, BECOME MORE CRITICAL.

2. IN CONVERSATION WITH CONGEN OFFICER, BNDE DIRECTOR LIMA NETTO STATED THAT HE EXPECTED 1976 BNDE EXPENDITURES TO TOTAL CR\$32 BILLION, CR\$7.5 BILLION LESS THAN THE BNDE BUDGET ALLOCATION. ACCORDING TO LIMA NETTO, BNDE WILL NO LONGER PARTICIPATE IN THE FINANCING OF PULP AND PAPER MACHINERY PROJECTS IF BNDE JUDGES THAT NEED FOR MACHINERY CAN BE FILLED BY INDUSTRY ALREADY ESTABLISHED IN BRAZIL. IN SUCH CASES, BNDE WILL ACTIVELY OPPOSE CDI APPROVAL WHETHER BNDE FINANCING IS INVOLVED OR NOT. BELOIT JOINT VENTURE WAS REJECTED ON BASIS THAT VOITH S.A. COULD MEET BRAZILIAN DEMAND FOR PROPOSED EQUIPMENT.

3. COMPREHENSIVE REVIEW OF GOVERNMENT INVESTMENT PROJECTS IS LATEST MEASURE IN GOB ANTI-INFLATION POLICY. RESULTS OF REVIEW, UNCLASSIFIED

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PAGE 02 RIO DE 04178 281149Z

WHICH WILL BE ANNOUNCED BEFORE YEAR-END, ARE EXPECTED TO BE

POSTPONEMENT OR DELAY OF SEVERAL INVESTMENT PROJECTS.

4. CONGEN SAO PAULO REPORTS THAT INDUSTRY CONCENSUS REGARDING
BNDE LENDING IS THAT PROJECTS ALREADY APPROVED WILL CONTINUE
TO BE FUNDED BUT OUTLOOK FOR NEW LOANS IS UNCERTAIN.
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